

Message Text

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PAGE 01 NEW DE 11789 221525Z

ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 EB-08 IGA-02 L-03 OES-07

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5538

C O N F I D E N T I A L NEW DELHI 11789

EO 11652: GDS

TAGS: EAID, IN

SUBJ: ECONOMIC ASSISTANCE TO INDIA

REF: NEW DELHI 11723

1. ECONOMIC COUNSELOR HAD INFORMAL DISCUSSIONS WITH S.V.S. JUNEJA, JOINT SECRETARY, MOF, TO ELIEIT HIS VIEWS ON USE OF EXCESS CURRENCY IN AN AID PROGRAM.

2. JUNEJA, IN RESPONDING, USED FAMILIAR ARGUMENTS:
A. THAT THIS WOULD NOT BE TRANSFER OF RESOURCES AND WOULD THEREFORE REPRESENT A REDUCTION IN AID LEVELS.

B. THAT SUBSTANTIAL DRAWDOWNS FROM THE ACCOUNT WOULD BE INFLATIONARY.

C. THAT USE OF EXCESS CURRENCY IS GOVERNED BY THE RUPEE AGREEMENT. LIMITATIONS ON USE AND LEVEL OF ANNUAL DRAWDOWN WERE MEANT TO PREVENT DISRUPTIVE IMPACT ON THE ECONOMY.

D. THAT IF A DEVELOPMENT ASSISTANCE LOAN IS MADE IN DOLLARS, BUT PART OF IT IS EXCESS CURRENCY, GOI WOULD IN EFFECT BE CONVERTING EXCESS CURRENCY INTO CONFIDENTIAL

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DOLLARS FOR REPAYMENT.

E. ON THE OTHER HAND, HE SAID, A MODEST GRANT OF RUPEES APPROVED BY THE GOI FOR SEPARATE ACTIVITIES AND CONSIDERED TO BE ADDITIONAL TO US AID LEVELS MIGHT BE FEASIBLE.

3. IN ADDITION, JUNEJA REFERRED TO THEIR PAST PROBLEMS ON US AID AND SUGGESTED THAT TO INTRODUCE THE USE OF EXCESS CURRENCY ELEMENT INTO THE AID DISCUSSIONS MIGHT REQUIRE ANOTHER REVIEW AT A HIGH POLITICAL LEVEL.

4. COMMENT: ALTHOUGH THERE ARE NO NEW ARGUMENTS IN JUNEJA'S COMMENTS, EMBASSY BELIEVES IT IMPORTANT FOR AGENCIES IN WASHINGTON CONSIDERING THE LOCAL COST FINANCING ISSUE (AND THE USE OF EXCESS CURRENCY IN CONNECTION WITH IT) TO KNOW WHAT GOI REACTION IS LIKELY TO BE. IN THE CASE OF INDIA, THESE TAKE ON ADDED IMPORTANCE IN VIEW OF OUR RUPEE AGREEMENT, WHICH GOVERNS USE OF OUR EXCESS CURRENCY HERE.
GOHEEN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE
Control Number: n/a
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Sent Date: 22-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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Original Handling Restrictions: n/a
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SAS ID: 1527845
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC ASSISTANCE TO INDIA
TAGS: EAID, IN
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/4e69fa56-c288-dd11-92da-001cc4696bcc
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